

THIRTY-SEVENTH

ANNUAL REPORT OF THE BOARD OF DIRECTORS

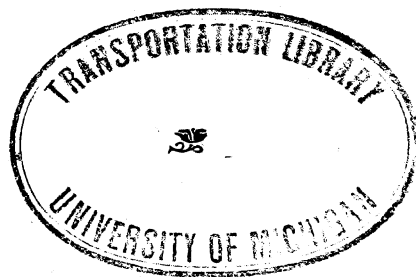
OF THE

LAKE SHORE AND MICHIGAN SOUTHERN
RAILWAY COMPANY

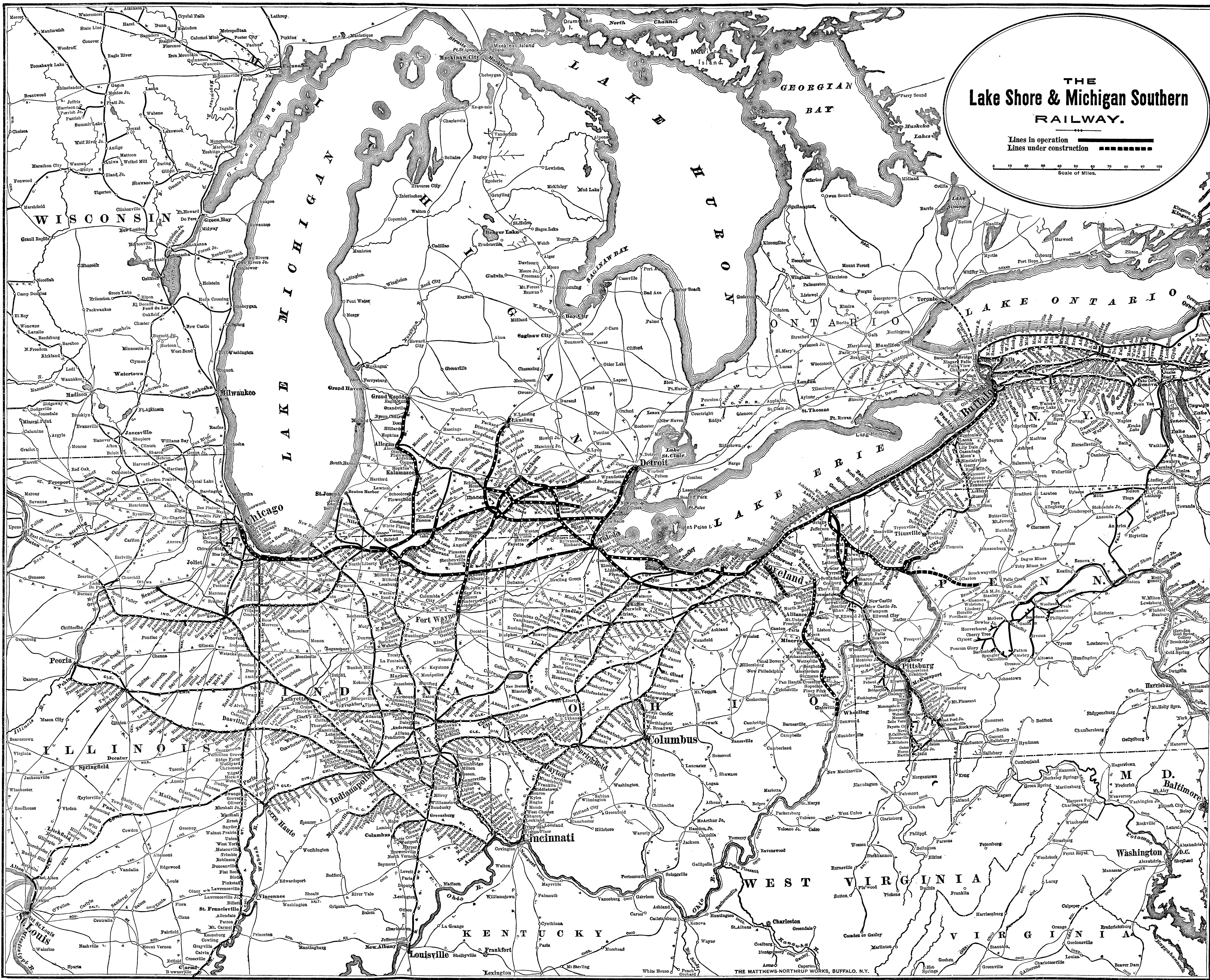
TO THE STOCKHOLDERS

FOR THE YEAR ENDED

DECEMBER 31 1906



CLEVELAND
OHIO



**THE
Lake Shore & Michigan Southern
RAILWAY.**

Lines in operation —————
Lines under construction - - - - -

0 10 20 30 40 50 60 70 80 90 100
Scale of Miles.

THIRTY-SEVENTH

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OF THE

LAKE SHORE AND MICHIGAN SOUTHERN

RAILWAY COMPANY

TO THE STOCKHOLDERS

FOR THE YEAR ENDED

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CLEVELAND
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ORGANIZATION OF THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY COMPANY

DIRECTORS

Elected at the annual meeting of stockholders held at Cleveland, Ohio, May 2, 1906

CHAUNCEY M. DEPEW, CHAIRMAN

WILLIAM K. VANDERBILT	J. PIERPONT MORGAN
FREDERICK W. VANDERBILT	DARIUS O. MILLS
WILLIAM H. NEWMAN	W. SEWARD WEBB
SAMUEL F. BARGER	WILLIAM ROCKEFELLER
HAMILTON McK. TWOMBLY	WILLIAM K. VANDERBILT, Jr.
GEORGE F. BAKER	WILLIAM C. BROWN

EXECUTIVE COMMITTEE

CHAUNCEY M. DEPEW, *Chairman of the Board of Directors**

WILLIAM H. NEWMAN, *President**

WILLIAM K. VANDERBILT	HAMILTON McK. TWOMBLY
FREDERICK W. VANDERBILT	SAMUEL F. BARGER
WILLIAM ROCKEFELLER	WILLIAM C. BROWN
	J. PIERPONT MORGAN

*Members ex-officio

OFFICERS

President	WILLIAM H. NEWMAN	New York
Senior Vice President	WILLIAM C. BROWN	New York
Vice President	EDWARD V. W. ROSSITER	New York
Vice President	JOHN CARSTENSEN	New York
Vice President	GEORGE J. GRAMMER	Chicago
Vice President	CHARLES E. SCHAFF	Chicago
Vice President	ALBERT H. HARRIS	New York
Vice President	CHARLES F. DALY	New York
Secretary	DWIGHT W. PARDEE	New York
Treasurer	CHARLES F. COX	New York
Assistant Treasurer	HARRY G. SNELLING	New York
General Manager	EDWARD A. HANDY	Cleveland
Assistant General Manager	DEWITT C. MOON	Cleveland
General Counsel	GEORGE C. GREENE	Cleveland
General Attorney	FRANK J. JEROME	Cleveland
Auditor	RICHARD M. HUDDLESTON	Cleveland
Local Treas. and Assistant Secretary	RUDOLPH P. AHRENS	Cleveland
General Superintendent	JOHN J. BERNET	Cleveland
Freight Traffic Manager	GEORGE H. INGALLS	Chicago
Passenger Traffic Manager	WARREN J. LYNCH	Chicago
General Passenger and Ticket Agent	JOHN W. DALY	Cleveland
Chief Engineer	SAMUEL ROCKWELL	Cleveland
General Superintendent Motive Power, Rolling Stock & Machinery }	JOHN F. DEEMS	New York
Superintendent Motive Power	LEGRAND PARISH	Cleveland
Purchasing Agent	FRANCES H. GREENE	Cleveland

The annual meeting of stockholders for the election of directors is held in the city of Cleveland, Ohio, on the first Wednesday in May.

REPORT

To the Stockholders of

THE LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COMPANY:

The Board of Directors herewith submits its report for the year ended December 31st, 1906, with statements showing the results for the year and the financial condition of the company.

The report covers the operation of the system, Chicago to Buffalo, a total of 1,520.35 miles, as follows:

	Miles
Main line	878.63
Proprietary lines	224.13
Leased lines	417.59
Total	1,520.35

There were no changes in the mileage of road operated during the year.

A statement showing in detail the miles of road and track operated will be found upon another page.

There was no change in capital stock during the year, the amount

authorized and outstanding December 31st, 1906, being \$50,000,000.00

The funded debt outstanding on December 31st, 1905, was \$101,324,000.00

It has been increased during the year ended December 31st, 1906, as follows:

By the issue and sale of \$35,000,000.00 four per cent. Gold Bonds of 1906, same being a part of an authorized issue of \$50,000,000.00 35,000,000.00
\$136,324,000.00

It has been decreased during the year as follows:

By the purchase and retirement of \$920,000.00 of the \$924,000.00 outstanding Detroit, Monroe & Toledo Railroad Company first mortgage bonds which matured August 1st, 1906, 920,000.00

Total funded debt December 31st, 1906, \$135,404,000.00

There were purchased during the year 43,954 shares of the common stock of the Cleveland, Cincinnati, Chicago & St. Louis Railway Company, 50,000 shares of the preferred and 120,000 shares of the common stock of the Chicago, Indiana & Southern Railroad Company, 11,540 shares of stock of the Hocking Valley Railway Company, 16,922 shares of stock of the Merchants Despatch Transportation Company and 71 shares of stock of the Jamestown & Franklin Railroad Company, and also \$7,000,000.00 mortgage bonds of the Chicago, Indiana & Southern Railroad Company.

There were sold during the year 50,000 shares of stock of the Indiana, Illinois & Iowa Railroad Company and \$29,000.00 par value of bonds of the Pittsburgh, Chartiers & Youghiogeny Railroad Company.

Annual Report

SUMMARY OF FINANCIAL OPERATIONS AFFECTING INCOME

EARNINGS FROM OPERATION	1906 1520.35 miles operated	1905 1520.35 miles operated	Increase	Decrease
From freight	\$29,762,197.11	\$26,989,655.25	\$ 2,772,541.86	
From passengers	8,715,702.74	7,675,937.80	1,039,764.94	
From express	1,102,750.25	1,032,057.65	70,692.60	
From mails	2,287,254.04	2,285,806.75	1,447.29	
From rents	594,623.99	540,603.04	54,020.95	
From miscellaneous	81,850.25	76,749.21	5,101.04	
Totals	\$42,544,378.38	\$38,600,809.70	\$3,943,568.68	
EXPENSES OF OPERATION	(64.06%)	(62.76%)	(1.30%)	
Maintenance of way and structures	\$ 5,322,562.97	\$ 4,369,542.49	\$ 953,020.48	
Maintenance of equipment	5,843,734.29	4,944,965.20	898,769.09	
Conducting transportation	15,376,192.50	14,292,416.19	1,083,776.31	
General expenses	709,588.01	620,790.72	88,797.29	
Totals	\$27,252,077.77	\$24,227,714.60	\$ 3,024,363.17	
New construction (addition betterments)	4,221,845.96	3,743,020.41	478,825.55	
New equipment (additions)	1,201,877.42	3,360,772.98		\$ 2,158,895.56
TOTAL EXPENSES	\$32,675,801.15	\$31,331,507.99	\$ 1,344,293.16	
Net earnings	\$ 9,868,577.23	\$ 7,269,301.71	\$ 2,599,275.52	
OTHER INCOME				
Interest and dividends on stocks and bonds owned	3,770,212.52	3,280,164.50	490,048.02	
Interest on loans and deposits	383,292.84	238,498.62	144,794.22	
Totals	4,153,505.36	3,518,663.12	634,842.24	
Gross Income	\$14,022,082.59	\$10,787,964.83	\$ 3,234,117.76	
FIRST CHARGES				
Interest on funded debt	\$ 4,428,292.45	\$ 3,822,776.03	\$ 605,516.42	
Rentals of leased lines	1,450,186.00	1,305,612.83	144,573.17	
Interest on loans	165,002.35	88,261.14	76,741.21	
Dividends on guaranteed stock	53,350.00	53,350.00		
Taxes	1,438,639.71	1,050,000.00	388,639.71	
Totals	\$ 7,535,470.51	\$ 6,320,000.00	\$ 1,215,470.51	
Net income	\$ 6,486,612.08	\$ 4,467,964.83	\$ 2,018,647.25	
Dividends, 10 per cent.	4,946,650.00	3,957,320.00	989,330.00	
Surplus	\$ 1,539,962.08	\$ 510,644.83	\$ 1,029,317.25	
From the surplus for the year:—				
there should be deducted:				\$ 1,539,962.08
Sundry uncollectible charges and reduction in value of assets			\$485,405.95	
Discount and commissions account sale of 25 year 4% gold bonds of 1906			\$875,000.00	1,360,405.95
				\$ 179,556.13
Amount to the credit of profit and loss, December 31, 1905				17,118,973.19
		Balance December 31, 1906		\$17,298,529.32

The Lake Shore and Michigan Southern Railway Company

The gross earnings for year were \$42,544,378.38, an increase of \$3,943,568.68 as compared with last year.

The freight earnings were \$29,762,197.11, an increase of \$2,772,541.86. This increase is accounted for principally by heavy movements of bituminous coal, coke and ore.

Passenger earnings were \$8,715,702.74, an increase of \$1,039,764.94.

The earnings from mail, express, rents and miscellaneous for the year amounted to \$4,066,478.53, an increase of \$131,261.88.

The operating expenses for the year amounted to \$27,252,077.77, an increase of \$3,024,363.17.

Maintenance of way and structures increased \$953,020.48. This increase is mainly due to the operation of additional third and fourth tracks, sidings and signal system, relaying tracks with heavier rails, additional ballasting and increased number of cross ties renewed.

Maintenance and renewals of equipment increased \$898,769.09, principally due to the increase in freight car mileage and the large increase in this class of equipment in service.

Conducting transportation increased \$1,083,776.31. With the exception of car mileage and hire of equipment, which showed a decrease as compared with last year, there was a general increase distributed among the various items under this heading.

There was expended for new construction and charged against

Income, as shown on another page, the sum of	\$4,221,845.96
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There was expended for additional equipment and charged against

Income, as shown on another page, the sum of	1,201,877.42
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Total	<u>\$5,423,723.38</u>
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Included in the charges against income for new construction are additional heavy expenditures to continue the work of increasing the efficiency of present structures in connection with the four-tracking of the main line. The expenditures for additional cars and engines have further decreased the charges for foreign equipment and furnished better facilities for taking care of the heavy tonnage handled.

The income from investments for the year was \$4,153,505.36, an increase of \$634,842.24, due to additional revenue from dividends on stocks owned or acquired during the year and to interest received on sundry loans, etc.

The first charges show an increase of \$1,215,470.51. This is due to interest on additional Gold Bonds sold during the current year and to increased payments on account of leased lines.

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The following amounts were charged to cost of road and equipment account for additional new equipment:

Locomotives	\$ 683,261.38	
Passenger cars	422,327.23	
Freight cars	6,377,590.63	
Other rolling stock	16,820.76	<u>\$7,500,000.00</u>

The following amounts were expended for new equipment, new structures, tracks, etc., in addition to renewals and charged to the year's income.

FOR ADDITIONAL EQUIPMENT PURCHASED

Locomotives	\$284,200.00	
Passenger cars	172,000.00	
Freight cars	116,078.78	
Other rolling stock	629,598.64	<u>\$1,201,877.42</u>

FOR CONSTRUCTION AND BETTERMENTS

EASTERN DIVISION

BUFFALO TO COLLINWOOD:

Additional third and fourth main tracks, including right of way for same	\$972,368.93	
New concrete arches constructed to carry four tracks	113,027.15	
New block signal system	235,079.48	<u>\$1,320,475.56</u>

BUFFALO:

Balance eliminating grade crossings		10,000.00
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WEST SENECA:

Construction of connection with new yards at Gardenville		42,602.65
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LAKE VIEW:

Changes in interlocker		7,318.82
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WESTFIELD:

New interlocker and crossovers		10,967.32
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ERIE:

Balance account of freight house and team tracks	7,073.23	
New Gantry electric freight crane	9,168.11	
New interlocker at P. & E. crossing	2,142.27	<u>18,383.61</u>

GIRARD JUNCTION:

New interlocker		14,922.13
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AMBOY:

New interlocker		<u>12,628.04</u>
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Amount forward \$1,437,298.13

The Lake Shore and Michigan Southern Railway Company

EASTERN DIVISION—Continued

Amount brought forward		\$1,437,298.13
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ASHTABULA:

New roundhouse, coal chute, cinder pit and tracks	\$243,743.99	
Pipe line for heating station and other buildings	5,694.00	
Balance account new interlocker Penna. Co. crossing	2,498.26	251,936.25

ASHTABULA TO CLEVELAND:

Telephone line		5,500.98
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MISCELLANEOUS:

Various small structures, extending interlockers, etc.	18,133.53	
Various passing and industrial sidings	11,691.36	29,824.89

FRANKLIN DIVISION

ASHTABULA HARBOR:

Additional ore unloaders and swivel bucket attachment	19,672.75	
Blacksmith and machine shop on Dock No. 1	2,948.58	
Extension and improvement of Docks	328,528.63	351,149.96

SOUTH SHARON:

New interlocker, Erie R. R. crossing		1,569.37
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PLYMOUTH TO MANN:

Balance account low grade line		1,420.44
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MISCELLANEOUS:

Various small structures and sidings		1,384.40
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TOLEDO DIVISION

COLLINWOOD TO TOLEDO:

Additional third and fourth main tracks, including right of way for same	148,177.04	
New block signal system and interlocking plants	152,268.56	300,445.60

COLLINWOOD:

New freight car repair shop, new laboratory building and other improvements at shops		107,795.53
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GLENVILLE:

Land for freight and passenger station		50,977.09
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CLEVELAND:

Land for additional right of way	3,351.50	
Eliminating grade crossing at Detroit street	19,425.00	22,776.50

BEREA:

Land for additional right of way		2,080.10
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ELYRIA:

Land for freight house	8,329.60	
Additional machinery for coaling station	6,591.54	14,921.14

Amount forward		\$2,579,080.38
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TOLEDO DIVISION—Continued

	Amount brought forward	\$2,579,080.38
SANDUSKY:		
Land for additional right of way		13,700.00
GYPSUM:		
New passenger and freight station		6,700.49
PORT CLINTON:		
Land for additional right of way	\$16,466.40	
Overhead crossing with T. Pt. C. & L. Ry.	20,000.00	36,466.40
MISCELLANEOUS:		
Various small structures, street gates, track scales, etc.	9,673.09	
Strengthening various bridges	12,697.26	
Various passing and industrial sidings	57,926.15	80,296.50
MICHIGAN DIVISION		
AIR LINE DIVISION:		
Additional third track, including right of way for same	258,691.32	
New block signal system	109,054.24	367,745.56
TOLEDO:		
Balance account new engine house, coal chute, cinder pit, tracks, etc.	68,852.40	
Middle ground improvement, account new freight house, team tracks, etc.	124,316.34	
Paving Knapp street	4,453.36	197,622.10
MINA:		
Pumping plant and 12-inch well		3,393.49
CORUNNA:		
New track tank plant and changes in sidings		77,478.86
LIGONIER:		
New track tank plant		47,273.24
ELKHART:		
Balance account new water plant	3,544.42	
New transfer shed—west yard	5,243.46	
Addition to foundry and pattern room	5,260.01	14,047.89
GRAND RAPIDS:		
Change of grade	9,810.71	
New engine house, coal chute, tracks, etc.	5,059.70	
Pile protection for bridge No. 150	1,750.69	16,621.10
MISCELLANEOUS:		
Various small structures, track scales, etc.	13,808.35	
Various passing and industrial sidings	50,648.58	64,456.93
	Amount forward	\$3,504,882.94

The Lake Shore and Michigan Southern Railway Company

WESTERN DIVISION

	Amount brought forward	\$3,504,882.94
ELKHART TO CHICAGO:		
Telephone line		10,833.11
SOUTH BEND:		
Paving driveway at freight house		6,067.68
LYDICK:		
New track tank plant		51,420.09
ROLLING PRAIRIE:		
New water station and well		2,964.42
LA PORTE:		
New freight house and tracks		29,450.06
CHESTERTON:		
New track tank plant	\$ 41,983.36	
Renewal of bridge No. 19	15,607.34	57,590.70
PORTER:		
New freight house and tracks		7,999.32
GARY:		
Land for new yards	47,287.57	
New station building	3,829.28	51,116.85
INDIANA HARBOR:		
New elevator and tracks	33,246.70	
New yard and repair tracks	50,124.43	83,371.13
WHITING:		
Land for additional right of way		10,554.00
GRAND CROSSING TO ENGLEWOOD:		
Elevation of tracks		133,344.76
CHICAGO:		
Eliminating grade crossing, 40th street	19,533.29	
Land for freight house facilities	121,685.63	141,218.92
MISCELLANEOUS:		
Various small structures, street gates and towers, extending interlockers, etc.	4,457.89	
Various passing and industrial sidings	8,615.38	13,073.27

DETROIT DIVISION

DETROIT TO TOLEDO:		
Telephone line		5,669.49
DETROIT:		
Eliminating grade crossings	21,356.84	
New freight house, Michigan Avenue	2,543.81	23,900.65
MANCHESTER:		
New passenger station and water station		4,506.58
	Amount forward	\$4,137,963.97

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DETROIT DIVISION—Continued

	Amount brought forward	\$4,137,963.97
MISCELLANEOUS:		
Various small structures	\$ 3,413.88	
Various passing and industrial sidings	<u>13,687.85</u>	17,101.73

LANSING DIVISION

FORT WAYNE:		
Cinder pit and loading track		2,358.73
PLEASANT LAKE:		
New coal dock and tracks		3,854.68
MISCELLANEOUS:		
Various small structures and new train order signals	2,241.61	
Various passing and industrial sidings	<u>10,604.21</u>	12,845.82

GENERAL

For track work, train order signals, etc., at various points	<u>47,721.03</u>
	\$4,221,845.96

On May 18, 1906, Mr. William C. Brown was appointed Senior Vice President of the Company.

On June 6, 1906, Mr. Charles E. Schaff was appointed Vice President of the Company, in charge of operation and maintenance of its line.

On December 4, 1906, Mr. Albert H. Harris was appointed Vice President of the Company, in charge of Legal, Tax and Land matters.

On December 4, 1906, Mr. Charles F. Daly was appointed Vice President of the Company, in charge of passenger traffic.

On June 5, 1906, Mr. Harry G. Snelling was appointed Assistant Treasurer of the Company to succeed Mr. Frederick Middlebrook, resigned.

On December 6, 1906, Mr. George H. Ingalls was appointed Freight Traffic Manager of the Company to succeed Mr. Barrett B. Mitchell, transferred.

W. H. NEWMAN,
President.

*The Lake Shore and Michigan Southern Railway Company***CAPITALIZATION***Capital stock*

Number of shares issued—Common	494,665	Total par value issued and out-	
Number of shares issued—Guaranteed		standing	\$50,000,000.00
ten per cent.	5,335	Total par value authorized	\$50,000,000.00
Total number of shares outstanding	500,000	Par value per share	\$100.00
Number of shares authorized	500,000		

Funded debt

<u>Class of bond</u>	<u>Date of Issue</u>	<u>Date of maturity</u>	<u>Amount of authorized issue</u>	<u>Amount Issued and now outstanding</u>	<u>Rate of Interest</u>	<u>Payable on the first days of</u>
Gold mortgage	1897	June 1, 1997	\$50,000,000.00	\$50,000,000.00	3½ %	{ December and June
Gold bonds	1903	Sept. 1, 1928	50,000,000.00	50,000,000.00	4 %	{ March and September
Gold bonds	1906	May 1, 1931	50,000,000.00	35,000,000.00	4 %	{ November and May

Bonds of other roads assumed by this company

Detroit, Monroe } & Toledo }	1876	Aug. 1, 1906	924,000.00	4,000.00	7 %	{ February and Aug.
Kalamazoo & } White Pigeon }	1890	Jan. 1, 1940	400,000.00	400,000.00	5 %	{ January and July

*Treasurer, Room 219 Grand Central Station,
New York*

{ Transfers stock
Pays dividends
Transfers registered bonds
Pays interest on coupon and registered bonds

Union Trust Company, New York

Registers stock

*Annual Report**CONDENSED GENERAL BALANCE SHEET, DECEMBER 31, 1906**Assets**Cost of road and equipment*

Cost of road	\$66,700,000.00	
Cost of equipment	<u>24,800,000.00</u>	\$91,500,000.00

Securities owned

Stocks in sundry companies	\$84,552,511.08	
Bonds of sundry companies	<u>8,194,655.24</u>	92,747,166.32

Other property

Real estate not used in operation of the road		438,661.50
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Advances for lessor and other companies

Jamestown & Franklin Railroad Company	\$ 607,917.59	
Lake Erie, Alliance & Wheeling Railroad Company	728,819.98	
Franklin & Clearfield Railroad Company	3,477,796.08	
Sundry other companies	<u>3,596,869.52</u>	8,411,403.17

Fuel and supplies

4,358,526.77

Current assets

Cash charged Treasurer	\$4,938,938.84	
Remittances in transit	1,358,130.48	
Loans and bills receivable	6,833,688.67	
Traffic balances receivable	482,943.83	
Station agents and conductors	583,611.21	
Sundry accounts collectible	<u>4,026,144.27</u>	18,223,457.30

\$215,679,215.06

*The Lake Shore and Michigan Southern Railway Company**CONDENSED GENERAL BALANCE SHEET, DECEMBER 31, 1906**Liabilities**Capital stock*

Common	\$49,466,500.00	
Guaranteed	<u>533,500.00</u>	\$ 50,000,000.00

Funded debt

Gold mortgage bonds	\$50,000,000.00	
Gold bonds of 1903	50,000,000.00	
Gold bonds of 1906	<u>35,000,000.00</u>	135,000,000.00

Bonds of other roads assumed by this company

Detroit, Monroe & Toledo first mortgage bonds	\$ 4,000.00	
Kalamazoo & White Pigeon first mortgage bonds	<u>400,000.00</u>	404,000.00
Total Capitalization		<u>\$185,404,000.00</u>

Current liabilities

Audited pay rolls	\$ 1,484,086.77	
Audited vouchers	4,053,463.30	
Loans and bills payable	1,206,000.00	
Traffic balances payable	93,305.61	
Interest and rentals accrued	1,195,241.51	
Dividends payable January 29, 1907	2,967,990.00	
Dividends and interest unclaimed	54,152.78	
Sundry accounts payable	<u>288,288.73</u>	11,342,528.70

Accounts with lessor companies

Mahoning Coal Railroad Company		1,634,157.04
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Profit and loss

17,298,529.32

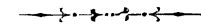
\$215,679,215.06

*Annual Report**FIRST CHARGES**Interest on bonds*

Interest 3½ % per annum on Gold mortgage bonds	\$1,750,000.00	
Interest 4 % per annum on Gold bonds of 1903	2,000,000.00	
Interest 4 % per annum on Gold bonds of 1906	620,562.45	
Interest 7 % per annum on Detroit, Monroe & Toledo mortgage bonds	37,730.00	
Interest 5 % per annum on Kalamazoo & White Pigeon mortgage bonds	<u>20,000.00</u>	\$4,428,292.45
Dividend 10 % guaranteed on 5,335 shares L. S. & M. S. Ry. stock		53,350.00
Rental of leased lines		1,450,186.00

Taxes

New York	\$ 56,244.10	
Pennsylvania	27,152.79	
Ohio	552,250.48	
Michigan	552,181.34	
Indiana	202,544.41	
Illinois	<u>48,266.59</u>	1,438,639.71
Interest on loans and bills payable		<u>165,002.35</u>
Total first charges		<u>\$7,535,470.51</u>

*DIVIDENDS*

Payable July 28th, 1906, 4 % on 494,665 shares of capital stock	\$1,978,660.00
Payable Jan. 29th, 1907, 6 % on 494,665 shares of capital stock	<u>2,967,990.00</u>
Total 10 %	<u>\$4,946,650.00</u>

*The Lake Shore and Michigan Southern Railway Company***DETAIL OF EXPENSES****MAINTENANCE OF WAY AND STRUCTURES**

	1906	1905	Increase	Decrease
Repairs roadway	\$ 2,966,280.72	\$ 2,323,134.60	\$ 643,146.12	
Renewals of rails	598,092.44	491,449.54	106,642.90	
Renewals of ties	797,467.30	604,672.56	192,794.74	
Repairs and renewals bridges and culverts	136,051.44	170,410.87		\$ 34,359.43
Repairs and renewals fences, road crossings, etc.	144,503.15	140,745.27	3,757.88	
Repairs and renewals buildings and fixtures	570,855.93	525,066.82	45,789.11	
Repairs and renewals docks, wharves and machinery	41,640.15	57,756.11		16,115.96
Repairs and renewals telegraph	48,997.76	46,824.93	2,172.83	
Stationery and printing	18,208.04	9,283.99	8,924.05	
Other expenses	466.04	197.80	268.24	
Totals	\$ 5,322,562.97	\$ 4,369,542.49	\$ 953,020.48	

MAINTENANCE OF EQUIPMENT

Superintendence	\$ 175,512.48	\$ 143,884.17	\$ 31,628.31	
Repairs locomotives	1,328,487.00	1,280,600.04	47,886.96	
Renewals locomotives	427,940.00	396,954.00	30,986.00	
Repairs passenger cars	551,318.01	502,937.61	48,380.40	
Renewals passenger cars	62,055.95	19,044.50	43,011.45	
Repairs freight cars	2,079,420.41	1,237,442.62	841,977.79	
Renewals freight cars	614,525.74	845,688.74		\$231,163.00
Repairs work cars	94,877.58	80,512.33	14,365.25	
Renewals work cars	12,000.00	10,600.00	1,400.00	
Repairs and renewals marine equipment	7,007.19	6,250.27	756.92	
Repairs and renewals shop machinery and tools	201,599.60	181,145.50	20,454.10	
Stationery and printing	24,533.69	13,157.74	11,375.95	
Other expenses	264,456.64	226,747.68	37,708.96	
Totals	\$ 5,843,734.29	\$ 4,944,965.20	\$ 898,769.09	

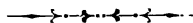
CONDUCTING TRANSPORTATION

Superintendence	\$ 431,677.14	\$ 413,225.38	\$ 18,451.76	
Enginemen	2,033,532.52	1,825,677.54	207,854.98	
Roundhousemen	422,091.86	389,751.69	32,340.17	
Fuel for locomotives	3,089,422.10	2,684,073.78	405,348.32	
Water supply for locomotives	190,783.59	175,815.49	14,968.10	
Oil, tallow and waste for locomotives	117,210.92	102,946.81	14,264.11	
Other supplies for locomotives	50,861.18	43,455.44	7,405.74	
Train service	1,440,039.38	1,299,687.55	140,351.83	
Oil, tallow and waste for cars	87,834.08	81,261.49	6,572.59	
Train supplies and expenses	345,587.05	291,230.28	54,356.77	
Dining car expenses	34,487.20	26,906.82	7,580.38	
Switchmen, flagmen and watchmen	1,579,352.07	1,430,331.42	149,020.65	
Telegraph expenses	430,929.46	413,360.47	17,568.99	
Station service	2,010,203.10	1,819,634.35	190,568.75	
Station supplies	178,363.31	154,038.69	24,324.62	
Switching charges—Balance	755,770.24	729,324.30	26,445.94	
Car mileage—Balance	551,383.21	651,600.15		\$100,216.94
Hire of equipment	* 110,957.55	* 52,627.30		58,330.25
Loss and damage	408,861.06	496,435.40		87,574.34
Injuries to persons	315,299.46	404,215.94		88,916.48
Clearing wrecks	47,361.94	37,945.45	9,416.49	
Advertising	73,857.19	63,925.89	9,931.30	
Outside agencies	443,327.38	429,426.51	13,900.87	
Stock yards and elevators	3,321.50	4,790.37		1,468.87
Rents for tracks, yards and terminals	181,239.84	168,553.07	12,686.77	
Rents of building and other property	49,448.06	36,438.87	13,009.19	
Stationery and printing	199,266.12	152,663.81	46,602.31	
Restaurant expenses	689.81	3,335.69		2,645.88
Other expenses	14,949.28	14,990.84		41.56
Total	\$15,376,192.50	\$14,292,416.19	\$1,083,776.31	

*Credits

*Annual Report**DETAIL OF EXPENSES—Concluded*

GENERAL EXPENSES				
	1906	1905	Increase	Decrease
Salaries of general officers	\$ 143,416.35	\$ 128,705.91	\$ 14,710.44	
Salaries of clerks and attendants	359,997.35	281,374.20	78,623.15	
General office expenses and supplies	34,503.61	31,666.27	2,837.34	
Insurance	2,087.49	1,204.16	883.33	
Law expenses	65,273.92	62,038.94	3,234.98	
Stationery and printing, (general offices)	56,343.28	28,343.26	28,000.02	
Other expenses	47,966.01	87,457.98		\$ 39,491.97
Totals	\$ 709,588.01	\$ 620,790.72	\$ 88,797.29	
Total Operating Expenses	\$27,252,077.77	\$24,227,714.60	\$3,024,363.17	

*Percentage of Operating Expenses to Gross Earnings by Groups*

	1906	1905
Maintenance of way and structures	12.51	11.32
Maintenance of equipment	13.74	12.81
Conducting transportation	36.14	37.02
General expenses	1.67	1.61
Total	64.06	62.76

*The Lake Shore and Michigan Southern Railway Company***STOCK AND BONDS OWNED OR ACQUIRED UNDER LEASE***Stock*

	Number of Shares	Total par value
Battle Creek & Sturgis Railway Co	825	\$ 82,500.00
Central Trunk Railway Co	238	11,900.00
Chicago, Indiana & Southern Railroad Co preferred	50,000	5,000,000.00
Chicago, Indiana & Southern Railroad Co	120,000	12,000,000.00
Cleveland, Cincinnati, Chicago & St. Louis Railway Co	231,481	23,148,100.00
Detroit & Chicago Railroad Co	10,000	1,000,000.00
Detroit, Monroe & Toledo Railroad Co	4,141	414,100.00
Detroit, Toledo & Milwaukee Railroad Co	7,500	750,000.00
East Chicago Belt Railroad Co	1,000	100,000.00
Elkhart & Western Railroad Co	4,598	229,900.00
Franklin & Clearfield Railroad Co	5,550	555,000.00
Hocking Valley Railway Co	11,540	1,154,000.00
Indiana Harbor Railroad Co (Illinois)	5,000	500,000.00
Jackson Coal Railroad Co	680	34,000.00
Jamestown & Franklin Railroad Co	11,738	586,900.00
Kalamazoo & White Pigeon Railroad Co	2,309	230,900.00
Lake Erie, Alliance & Wheeling Railroad Co }	50,000	5,000,000.00
Lake Erie, Alliance & Wheeling Coal Co }		
Lake Erie & Pittsburg Railway Co	100	10,000.00
Lake Erie & Western Railroad Co preferred	59,300	5,930,000.00
Lake Erie & Western Railroad Co	59,400	5,940,000.00
Lake Shore & Michigan Southern Railway Co	39	3,900.00
Lansing Transit Railway Co	10	1,000.00
Lehigh Valley Railroad Co	114,000	5,700,000.00
Mahoning Coal Railroad Co preferred	7,990	399,500.00
Mahoning Coal Railroad Co	17,318	865,900.00
Mahoning State Line Railroad Co	10	500.00
Merchants Despatch Transportation Co	22,679	2,267,900.00
New York, Chicago & St. Louis Railroad Co 1st preferred	25,030	2,503,000.00
New York, Chicago & St. Louis Railroad Co 2nd preferred	62,750	6,275,000.00
New York, Chicago & St. Louis Railroad Co	62,400	6,240,000.00
Northern Central Michigan Railroad Co	5,985	598,500.00
Pittsburgh & Lake Erie Railroad Co	100,002	5,000,100.00
Reading Company 1st preferred	121,300	6,065,000.00
Reading Company 2nd preferred	285,300	14,265,000.00
Reading Company	200,050	10,002,500.00
Sturgis, Goshen & St. Louis Railroad Co	3,000	300,000.00
Swan Creek Railway Co	400	40,000.00
Taylor Street Warehouse Co	100	10,000.00
Terminal Railway of Buffalo	5,000	500,000.00
Total par value stocks		\$123,715,100.00

Bonds

	Total amount held
Chicago, Indiana & Southern Railroad Co First mortgage	\$ 7,000,000.00
Elkhart & Western Railroad Co First mortgage	200,000.00
Jamestown & Franklin Railroad Co First mortgage	298,000.00
Jamestown & Franklin Railroad Co Second mortgage	500,000.00
Terminal Railway of Buffalo First mortgage	500,000.00
Total par value bonds	\$ 8,498,000.00
Grand total par value stocks and bonds	\$132,213,100.00

The above securities are carried on the books of the company at a total value of \$ 92,747,166.32

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TRAFFIC STATISTICS

FREIGHT CARRIED AND TON MILEAGE

	1906	1905	Increase	Decrease
Tons of freight earning revenue	33,835,932	32,314,514	1,521,418	
Tons of company freight	3,567,143	2,866,560	700,583	
Total number of tons carried	37,403,075	35,181,074	2,222,001	
Tons carried one mile (revenue freight)	5,621,502,883	5,099,918,804	521,584,079	
Tons of company freight carried one mile	325,647,852	282,920,839	42,727,013	
Total number of tons carried one mile	5,947,150,735	5,382,839,643	564,311,092	

DESCRIPTION OF FREIGHT MOVED

	1906 Tons	1905 Tons	Increase Tons	Decrease Tons
PRODUCTS OF AGRICULTURE				
Grain	1,891,230	1,886,214	5,016	
Flour	472,795	459,450	13,345	
Other mill products	353,958	342,153	11,805	
Hay	191,047	180,376	10,671	
Tobacco	16,322	14,593	1,729	
Cotton	36,811	38,958		2,147
Fruits and vegetables	269,783	264,318	5,465	
Other articles	144,549	120,564	23,985	
PRODUCTS OF ANIMALS				
Live stock	532,122	523,375	8,747	
Dressed meats	175,199	129,509	45,690	
Other packing house products	116,113	95,709	20,404	
Poultry, game and fish	56,062	60,671		4,609
Wool	12,971	11,618	1,353	
Hides and leather	45,790	47,630		1,840
Dairy products	66,742	55,016	11,726	
Other articles	76,978	53,775	23,203	
PRODUCTS OF MINES				
Anthracite coal	1,021,603	1,217,820		196,217
Bituminous coal	8,285,810	6,970,313	1,315,497	
Coke	1,337,355	1,034,859	302,496	
Ores	5,429,498	4,919,489	510,009	
Stone, sand and other like articles	3,028,989	4,795,173		1,766,184
Other articles	145,541	129,082	16,459	
PRODUCTS OF FOREST				
Lumber	842,440	691,242	151,198	
Other articles	224,273	173,915	50,358	
MANUFACTURES				
Petroleum and other oils	541,285	572,427		31,142
Sugar	105,842	117,171		11,329
Naval stores	2,356	4,090		1,734
Iron, pig and bloom	872,949	710,134	162,815	
Iron and steel rails	316,927	234,001	82,926	
Other castings and machinery	1,038,513	811,218	227,295	
Bar and sheet metal	1,254,701	1,129,709	124,992	
Cement, brick and lime	1,133,993	898,602	235,391	
Agricultural implements	126,745	106,302	20,443	
Wagons, carriages, tools, etc.	113,977	83,981	29,996	
Wines, liquors and beers	118,143	106,007	12,136	
Household goods and furniture	76,515	62,158	14,357	
Other articles	2,318,361	1,982,931	335,430	
MISCELLANEOUS				
Other commodities not previously mentioned	1,041,644	1,279,961		238,317
TOTAL	33,835,932	32,314,514	1,521,418	

*The Lake Shore and Michigan Southern Railway Company***TRAFFIC STATISTICS—Continued****PASSENGERS CARRIED AND TICKET MILEAGE**

	1906	1905	Increase	Decrease
Interline passengers •	985,968	859,955	126,013	
Local passengers	6,209,774	5,685,661	524,113	
Total number of passengers carried	7,195,742	6,545,616	650,126	
Passengers carried one mile	422,413,859	369,901,000	52,512,859	

TRAIN MILEAGE

Freight trains	8,665,574	7,891,449	774,125	
Passenger trains, exclusive of straight mail and express trains	7,026,576	6,627,805	398,771	
Mail and express trains exclusive	870,417	529,219	341,198	
Mixed trains	335,604	339,877		4,273
Work trains	649,754	512,666	137,088	
Total train mileage	17,547,925	15,901,016	1,646,909	

ENGINE MILEAGE

Freight engines	11,348,370	10,531,247	817,123	
Passenger engines	8,290,445	7,587,790	702,655	
Switching engines	7,077,778	6,468,379	609,399	
Work engines	1,378,566	1,154,072	224,494	
Total engine mileage	28,095,159	25,741,488	2,353,671	

CAR MILEAGE

Loaded freight cars	277,026,585	256,535,775	20,490,810	
Empty freight cars (including caboose car mileage)	112,749,857	98,810,236	13,939,621	
Total	389,776,442	355,346,011	34,430,431	
Passenger cars	52,357,686	47,645,025	4,712,661	
Work cars	8,356,074	8,599,502		243,428
Total car mileage	450,490,202	411,590,538	38,899,664	
Miles of road, including trackage, operated in freight service	1,520.35	1,520.35		
Miles of road, including trackage, operated in passenger service	1,520.35	1,520.35		

FREIGHT RESULTS

Earnings from transportation	\$29,288,235.31	\$26,536,365.35	\$2,751,869.96	
“ from miscellaneous sources	473,961.80	453,289.90	20,671.90	
Total freight earnings	\$29,762,197.11	\$26,989,655.25	\$2,772,541.86	
Earnings per ton	cts. 86.6	cts. 82.1	cts. 4.5	
Earnings per ton per mile	cts. 0.521	cts. 0.520	cts. 0.001	
Earnings per train mile	\$3.25	\$3.22	\$0.03	
Earnings per mile of road operated in freight service—trackage included	\$19,575.89	\$17,752.26	\$1,823.63	
Density of freight traffic (i. e. tons carried one mile per mile of road)	3,911,698	3,540,527	371,171	
Average number of tons of revenue-earning freight carried per train mile	624.5	619.6	4.9	
Average number of tons of all freight (including company's) carried per train mile	660.7	653.9	6.8	

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TRAFFIC STATISTICS—Concluded

FREIGHT RESULTS—Concluded

	1906	1905	Increase	Decrease
Average number of revenue tons per loaded car mile	20.3	19.9	0.4	
Average number of all tons per loaded car mile	21.5	21.0	0.5	
Average number of miles one ton carried	159.0	153.0	6.0	
Average number of loaded cars per train mile	30.8	31.2		0.4
Average number of empty cars per train mile	12.5	12.0	0.5	
Average number of freight cars per train mile	43.3	43.2	0.1	

PASSENGER RESULTS

Earnings from passengers	\$8,560,805.96	\$7,527,458.55	\$1,033,347.41	
Other passenger train earnings	150,407.18	144,385.90	6,021.28	
From miscellaneous sources	4,489.60	4,093.35	396.25	
Total passenger earnings	\$8,715,702.74	\$7,675,937.80	\$1,039,764.94	
Earnings from mail and express	\$3,390,004.29	\$3,317,864.40	\$ 72,139.89	
Earnings per passenger	\$1.18.97	\$1.15.00	\$0.03.97	
Earnings per passenger per mile	cts. 2.027	cts. 2.035		cts. 0.008
Earnings per train mile excluding mail and express	\$1.18	\$1.10	\$0.08	
Earnings per train mile, including mail and express	\$1.47	\$1.47		
Earnings per mile of road operated in passenger service, trackage included; including mail and express	\$7,962.45	\$7,231.10	\$731.35	
Density of passenger traffic (<i>i. e.</i> passengers carried one mile per mile of road)	277,840	243,300	34,540	
Average number of passenger cars per train mile	6.36	6.36		
Average number of passengers per train mile	57.38	53.09	4.29	
Average number of miles one passenger carried	58.70	56.51	2.19	

TABLE OF TRACKS ACCORDING TO STATES

STATE	Miles	Second Track	Third Track	Fourth Track	Sidings	Total
New York	69.50	67.84	60.05	34.46	94.12	325.97
Pennsylvania	102.49	43.96	43.63	32.89	75.58	298.55
Ohio	469.75	262.06	64.85	49.68	524.53	1,370.87
Michigan	606.10				135.50	741.60
Indiana	258.49	153.17	14.88	5.11	206.81	638.46
Illinois	14.02	7.63	0.54	0.52	73.85	96.56
	<u>1,520.35</u>	<u>534.66</u>	<u>183.95</u>	<u>122.66</u>	<u>1,110.39</u>	<u>3,472.01</u>

*The Lake Shore and Michigan Southern Railway Company***TABLE OF TRACKS**

MAIN LINE	Miles	Second Track	Third Track	Fourth Track	Sidings	Total
Buffalo to Toledo, via Norwalk	295.92	215.27	154.12	111.84	364.40	1,141.55
Toledo to Chicago, via Adrian	244.12	96.48	5.65	5.63	322.18	674.06
<i>Total main line</i>	540.04	311.75	159.77	117.47	686.58	1,815.61
BRANCHES						
Ashtabula to Ohio-Penna. State Line	30.72	4.67			33.32	68.71
Ashtabula to Ashtabula Harbor	2.33				42.42	44.75
Elyria Jct. to Millbury Jct., via Sandusky	73.24	73.19			67.67	214.10
Sandusky Jct. to Old Pier Depot	3.88				3.42	7.30
Air Line Jct. to Elkhart, via Air Line	131.10	131.87	24.18	5.19	60.41	352.75
Air Line Jct. to Ohio-Mich. State Line	7.61	2.27			6.81	16.69
Monroe to Lenawee Jct.	29.45				5.76	35.21
Lenawee Jct. to Jackson	42.16				6.67	48.83
Plymouth to Mann—low grade line	18.10				8.30	26.40
<i>Total branches</i>	338.59	212.00	24.18	5.19	234.78	814.74
<i>Total main line and branches</i>	878.63	523.75	183.95	122.66	921.36	2,630.35
PROPRIETARY LINES (OWNED WHOLLY BY THIS COMPANY)						
Central Trunk Railroad Ohio-Penna. State Line to Jamestown	5.26				.08	5.34
Detroit, Monroe & Toledo R. R. Ohio-Mich. State Line to Detroit	54.76				31.14	85.90
Detroit & Chicago Railroad Grosvenor to Fayette	25.56				2.70	28.26
Northern Central Mich. R. R. Jonesville to North Lansing	61.36				9.89	71.25
Sturgis, Goshen & St. Louis R. R. Goshen to Sturgis	28.93				2.58	31.51
Elkhart & Western R. R. Elkhart to Mishawaka	11.72				9.00	20.72
Kalamazoo & White Pigeon R. R. White Pigeon to Kalamazoo	36.54				9.82	46.36
<i>Total proprietary lines</i>	224.13				65.21	289.34
LEASED LINES						
Jamestown & Franklin R. R. Jamestown to Oil City	50.91				24.41	75.32
Mahoning Coal Railroad Andover to Youngstown	38.31	10.91			29.04	78.26
Branch to Keel Ridge	0.73				0.19	0.92
Sharon Branch	8.31				9.70	18.01
Mann to Brookfield—low grade line	24.51				11.12	35.63
Jackson Coal R. R., at Branch					4.10	4.10
Detroit, Toledo & Milwaukee R. R. Dundee to Homer	66.58				7.28	73.86
Detroit, Hillsdale & Southwestern R. R. Ypsilanti to Bankers	64.76				4.73	69.49
Ft. Wayne & Jackson R. R. Jackson to Ft. Wayne	97.83				18.52	116.35
Kalamazoo, Allegan & Grand Rapids R. R. Kalamazoo to Grand Rapids	58.45				14.10	72.55
Battle Creek & Sturgis R. R. Sturgis to Findlay	7.20				0.63	7.83
<i>Total leased lines</i>	417.59	10.91			123.82	552.32
<i>Total main line, proprietary and leased lines</i>	1,520.35	534.66	183.95	122.66	1,110.39	3,472.01

*Annual Report***EQUIPMENT OWNED****LOCOMOTIVES**

	1906	1905
Passenger locomotives	168	171
Freight locomotives	390	334
Switching locomotives	263	234
Total	<u>821</u>	<u>739</u>
Average miles run per locomotive in service	38,329	38,943

COST PER MILE RUN

	Cents	Cents
Repairs	4.73	4.98
Enginemen	7.64	7.46
Round-house labor	1.57	1.57
Fuel	11.39	10.70
Water supply	.68	.68
Lubricating oil and waste	.24	.25
Other supplies	.38	.34
Total cents	<u>26.63</u>	<u>25.98</u>
Miles run per ton of coal	14.75	15.23

FUEL CONSUMED

Coal—number of tons	1,904,203	1,678,036
Average price per ton	\$1.66	\$1.63
Total cost	\$3,089,422.10	\$2,755,116.55

CARS IN PASSENGER SERVICE

Passenger cars	240	216
Smoking cars	62	47
Combination cars	51	45
Emigrant cars	4	4
Baggage cars	159	115
Postal cars	58	52
Dining and buffet cars	23	23
Horse cars	6	6
Officers' and pay cars	11	11
Total	<u>614</u>	<u>519</u>
Total seating capacity of revenue passenger cars	22,497	18,842
Cost of repairs (excluding renewals) per passenger car mile	cts. 1.053	cts. 1.056

*The Lake Shore and Michigan Southern Railway Company**EQUIPMENT OWNED—Concluded*

CARS IN FREIGHT SERVICE

	1908	1905
Box cars	15,042	12,472
Stock cars	438	509
Flat cars	3,091	2,745
Gondola cars, drop bottom	7,409	6,262
Gondola cars, hopper bottom, steel	6,929	5,000
Gondola cars, plain composite	1,000	
Coal and ore cars, side dump	180	184
Coke cars	1,078	766
Caboose cars	419	360
Total	35,586	28,298
Total capacity of freight cars (tons)	1,306,088	986,388
Average capacity of freight cars (tons)	37.14	35.30
Cost of repairs (excluding renewals) per freight car mile	cts. 0.533	cts. 0.348

CARS IN COMPANY'S SERVICE

Ballast cars, steel	80	80
Ballast cars, wood	584	184
Derrick cars	19	19
Steam shovels	12	9
Pile drivers	4	4
Snow plows	16	16
Tool and other work cars	753	640
Total	1,468	952
Total cars, all classes	37,668	29,769

FLOATING EQUIPMENT

Tugs	2	1
Dredges	1	1
Scows	4	2
Naptha launch	1	
Total	8	4

